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UNCLAS SECTION 01 OF 02 LILONGWE 001164

SIPDIS

SENSITIVE

STATE FOR AF/S ADRIENNE GALANEK
STATE FOR EB/IFD/OMA FRANCES CHISHOLM
STATE FOR EB/IFD/ODF LINDA SPECHT
TREASURY FOR INTERNATIONAL AFFAIR LUKAS KOHLER

E.O. 12958: N/A

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SUBJECT: MALAWI'S FERTILIZER SHORTAGE THREATENS 2005 HARVEST

REF: LILONGWE 1089

SUMMARY

1. (U) Malawi's farmers are unable to find enough fertilizer as they near the end of their yearly planting season. The shortage results largely from Government delays in ordering stocks for its subsidy programs and confused signalling to private sector suppliers. While the shortages are expected to clear by early January, they may have an impact on the harvest and thus on food supplies for 2005. Opposition politicians are questioning the competence of the current Government. End summary.

NOT ENOUGH, AND SLOW GETTING HERE

2. (U) With the onset of yearly rains, Malawi's 2005 maize crop is in the ground and beginning to grow. As the rains spread from south to north, November through late January is the time for farmers to apply fertilizer, which is a necessity in Malawi's nutrient-depleted soil. Virtually all fertilizer is imported into the country through South Africa and the Mozambican ports of Beira and Nacala. Malawi was estimated at the beginning of the season to require 228,000 metric tons of fertilizer. By mid-December, only 121,000 tons had been landed--a shortfall of 107,000 tons, or 47 percent of the total.

3. (U) The arrival of product already on its way here should alleviate the situation by early January. Some 88,000 metric tons of fertilizer was in transit or on order by mid-December. But the delivery of product in the supply pipeline is being delayed by a number of regional transportation problems. These include weight restrictions on trucks passing through the South African/Zimbabwean border crossing at Beitbridge, a shortage in return loads to the port of Beira, and a number of problems with the rail connections and port at Nacala.

GOVERNMENT THE MAIN CULPRIT

4. (SBU) Though the region's troubled transportation system is part of the problem, most of the blame for the shortage lies squarely with the GOM. Political contention over the Targeted Input Program (TIP) and the fertilizer voucher scheme (see reftel) delayed Government's decision to place orders with importers in time. TIP stocks were not ordered until near the end of October, and private suppliers could not obtain commercial financing without a government contract in hand.

5. (SBU) Beyond the direct result of shortages for Government programs, the GOM's actions have also led to indirect market disruptions. For example, dealers saw very low early-season sales following June pronouncements that the GOM would be able to lower prices with across-the-board subsidies. In the absence of early sales (August to October), dealers have been not had the working capital to ramp up stocks to normal planting-season levels. Private importers also delayed ordering stocks because, in the absence of a clearly defined subsidy, they could not project requirements or prices. When the GOM finally announced the TIP program in October, most wholesalers sold their entire stocks to the Government. This has left private buyers (about one-third of Malawi's farmers, including its highly efficient commercial farmers) with nothing to buy.

COMMENT: A QUESTION OF COMPETENCE

16. (U) With its poor soil and strong preference for maize, Malawi's farmers need fertilizer to bring in a normal harvest, even when the region's notoriously unreliable weather cooperates. If the shortage of fertilizer affects the 2005 harvest--as seems increasingly likely--the country will once again experience a food shortage late next year. The Malawian public is keenly aware of this possibility. Accordingly, the opposition parties have been raising an outcry over the situation in recent days.

17. (SBU) Following hard on a controversy over bungled wage reforms, the fertilizer debacle has provided opposition figures, and President Mutharika's political enemies within the ruling party, the opportunity to portray the Government as disorganized and incompetent. They are taking that opportunity with gusto. The worst consequence of this political controversy may be that it makes the Mutharika government fear the marketplace all the more where critical commodities are concerned. The reflex is still to seek statist solutions where there is no room for mistakes; unfortunately, state intervention itself seems usually to be the first mistake.

GILMOUR